

City of Cincinnati



Interdepartment Correspondence Sheet

June 22, 2005

To: Mayor and Members of City Council

From: William E. Moller, Secretary, Cincinnati Retirement System (CRS), Board of Trustees

Subject: Medicare Part D – Prescription Drug Coverage

Beginning on January 1, 2006, those eligible for Medicare will qualify for a new limited prescription drug benefit. Open enrollment will begin November 15, 2005. Many of the City's retirees will be eligible for this benefit. On average, standard Medicare Part D coverage is estimated to pay approximately 50% of prescription drug costs.

There are several options available to benefit providers such as CRS who currently offer prescription drug coverage to Medicare eligible retirees and dependents that the Retirement Board has considered. These include:

1. **CRS plan primary/obtain federal subsidy:** Continue to provide the current CRS plan to retirees with no changes in plan coverage. Because the current plan is at least actuarially equivalent to the standard Medicare Part D federal plan, CRS would receive a federal reimbursement equal to a percentage of CRS' prescription drug cost up to a specified limit. This option would cause no change in the retiree's current prescription drug coverage;
2. **CRS plan secondary to Medicare Part D:** Require retirees to sign up for new qualified Medicare Part D private plans (to be offered by insurers/prescription drug vendors) to be selected by each retiree and CRS coverage would be secondary to Medicare Part D (similar to the process for Medicare Parts A & B currently). CRS would reimburse retirees for Part D premiums and costs not covered under Medicare Part D, up to CRS plan coverage limits (similar to the process for Medicare Parts A & B currently);
3. **Drop CRS coverage:** Drop CRS coverage and retirees would be covered only by Medicare Part D and CRS would reimburse retirees for monthly Medicare Part D premiums only.

The Board has determined that Option 1 is the most prudent approach. Under this option, the current CRS plan would continue to be the sole coverage. CRS would receive a federal reimbursement and retirees would not have to select a new Medicare Part D prescription drug plan or pay premiums. Option 2 was rejected because it would require retirees to select new prescription drug coverage from any number of yet-to-be determined Medicare-approved plans, or a specific plan approved by CRS, and CRS would have to coordinate reimbursement administration with each plan selected by retirees. Option 3 was rejected because it would reduce the current level of coverage. Based on limited survey data available and informal market information, most plan sponsors who have to choose an option are indicating that they expect to select Option 1.

The Cincinnati Retirement System Board of Trustees recommends that the City Council approve Option 1. The Board is available to discuss this issue with the City Council and with the appropriate Council Committee.